

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER Of The Application Of)	UTILITY DIVISION
MONTANA-DAKOTA UTILITIES COMPANY,)	
a Division of MDU Resources Group,)	DOCKET NO. 88.11.53
Inc., for Authority to Establish)	
Increased Rates for Gas Service.)	ORDER NO. 5399b

TECHNICAL

APPENDIX

B

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of)
MONTANA-DAKOTA UTILITIES CO., a)
Division of MDU Resources Groups, Inc.,) DOCKET NO. 88.11.53
Requesting Authority to Establish)
Increased Rates for Natural Gas Service.)

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STIPULATION OF MONTANA-DAKOTA UTILITIES CO. AND
THE MONTANA CONSUMER COUNSEL

On November 28, 1988, Montana-Dakota Utilities Co. (MDU, company or applicant) filed an application with the Montana Public Service Commission (Commission) for authority to increase rates for natural gas service in MDU's Montana service territory. The proceeding, which was assigned docket number 88.11.53, is now pending before the Commission. The Montana Consumer Counsel sought, and on February 22, 1989, was granted intervention in the docket. Among the issues placed before the Commission in testimony filed by the applicant were the cost of capital and the appropriate capital structure for MDU's gas utility in Montana. Counsel for the Exxon Corporation, which is the only other intervenor in this docket, has represented that his client does not intend to offer testimony or evidence with respect to these issues and does not oppose this stipulation. Counsel for Conoco, Inc., which has asked for but not yet been granted intervention, likewise has represented that his client does not intend to offer testimony or evidence on these issues and does not oppose this stipulation.

For purposes of settlement in this docket, MDU and Consumer

Counsel have agreed upon a cost of equity and capital structure, as set forth below, that they believe is reasonable and fair both to the company and to its ratepayers. Their agreement is set forth in this stipulation for the purposes of settlement only. It is understood that this agreement is not binding for any purpose other than settling these issues in this docket, and that neither MDU nor Consumer Counsel, by signing this stipulation, has accepted, agreed or conceded to any ratemaking principle, cost of service determination or legal principle underlying any of the provisions of the stipulation, nor have they waived any claim, right, defense or legal argument they may otherwise have with respect to any matters not specified in this stipulation.

MDU and Consumer Counsel agree and stipulate as follows:

1. That long term debt constitutes 53.710 percent of the company's total capital structure, and that the cost of long term debt is 10.074 percent;
2. That preferred stock constitutes 4.815 percent of the company's total capital structure, and that the cost of preferred stock is 4.834 percent;
3. That common equity constitutes 41.475 percent of the company's total capital structure, and that a reasonable cost of equity capital is 12.500 percent.
4. That the company's overall cost of capital is 10.828 percent, based on gross plant allocation, derived as summarized in the following table:

<u>Description</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long term debt	53.710%	10.074%	5.411%
Preferred stock	47.125	4.834	.233
Common stock	41.475	12.500	5.184
	100.000%		10.828%

5. MDU and Consumer Counsel agree that neither will introduce into the record in this docket any testimony, evidence or arguments on capital structure or the cost of capital for any purpose other than to support the reasonableness of this settlement.

6. MDU and Consumer Counsel request that the Commission accept the terms of this stipulation and make them binding for the purposes of this proceeding.

Respectfully submitted,

MONTANA-DAKOTA UTILITIES COMPANY

MONTANA CONSUMER COUNSEL

By: J. L. Alk

Date: March 33, 1989

By: Man Wright

Date: March 23, 1989